

CITY OF ROSENBERG

NOTICE OF CITY COUNCIL WORKSHOP MEETING

On this the 22nd day of July, 2014, the City Council of the City of Rosenberg, Fort Bend County, Texas, met in a Special Workshop Session, in the Rosenberg City Hall Council Chamber, located at 2110 4th Street, Rosenberg, Texas.

PRESENT

Vincent M. Morales, Jr.	Mayor
William Benton	Councilor at Large, Position 1
Cynthia McConathy	Councilor at Large, Position 2
Jimmie J. Pena	Councilor, District 1
Susan Euton	Councilor, District 2
Dwayne Grigar	Councilor, District 3
Amanda Bolf	Councilor, District 4

STAFF PRESENT

Robert Gracia	City Manager
Scott M. Tschirhart	City Attorney
Linda Cernosek	City Secretary
John Maresh	Assistant City Manager for Public Services
Jeff Trinker	Executive Director of Support Services
Joyce Vasut	Executive Director of Administrative Services
Travis Tanner	Executive Director of Community Development
Tonya Palmer	Building Official
Angela Fritz	Executive Director of Information Services
James Lewis	Director of Technology
Dallis Warren	Police Chief
Wade Goates	Fire Chief
Randall Malik	Economic Development Director
Lisa Olmeda	Human Resources Director
Kaye Supak	Executive Assistant
Matthew Curry	Police Officer
Dan Joshua	Police Officer

During a City Council Workshop, the City Council does not take final action on the agenda items and any consideration of final action will be scheduled at a Regular or Special City Council Meeting. Public comments are welcomed at Regular or Special City Council Meetings. No public comments will be received at a Workshop Meeting.

The City Council reserves the right to adjourn into Executive Session at any time during the course of this meeting to discuss any of the matters listed below, as authorized by Title 5, Chapter 551, of the Texas Government Code.

CALL TO ORDER.

Mayor Morales called the meeting to order at 6:02 p.m.

AGENDA

- HEAR AND DISCUSS CITIZEN'S REQUEST FOR VARIANCE TO THE CITY'S "MOBILE HOME" ORDINANCE, AND TAKE ACTION AS NECESSARY TO DIRECT STAFF.**
Executive Summary: This Agenda item has been requested by Mr. Paul Cedillo, Jr., who desires to address City Council regarding the addition of a variance procedure to the City's "Mobile Home" Ordinance.

Key discussion points:

- Travis Tanner, Executive Director for Community Development stated the individual submitting the letter to speak to the audience was not at the meeting at this time.
- Mr. Paul Cedillo, Jr., came to the meeting later in the meeting. Mr. Cedillo presented his comments to the City Council, as follows.

Key discussion points:

- Paul Cedillo, of The Guadalupana Law Firm, 2319 Avenue H, Rosenberg, addressed Council regarding the Mobile Home Ordinance. He expressed his concern regarding a variance for the Ordinance and asked Council to consider changing the Ordinance to address such variances.
- Councilor McConathy suggested the item be considered on a future Council Agenda.
- Mayor Morales stated we have to make sure any amendments that are made to the ordinance will fit the entire City's needs.
- Staff will look at the Ordinance and bring it back to a future Workshop Meeting.
- No action was taken on the item.

2. **HEAR PRESENTATION REGARDING FY2015 BUDGET, AND TAKE ACTION AS NECESSARY TO DIRECT STAFF.**

Executive Summary: This Agenda item allows the City Manager to submit the FY2015 Proposed Budget to the City Council. The Executive Director or Administrative Services will present the highlights of the FY2015 Proposed Budget. City Council will be given the opportunity to review and discuss the Proposed Budget during the presentations prepared for the current workshop, the Budget Workshop scheduled for August 9, 2014, and as an Agenda item after the two (2) public hearings to be held on August 19, 2014, and on August 26, 2014.

Key discussion points:

- Robert Gracia, City Manager read the cover letter of the budget and turned the item over to Joyce Vasut, Executive Director of Administrative Services.
- Joyce Vasut provided a handout and gave a general overview of the item.
- **General Overview of Proposed Budget**
- The proposed budget is a balanced budget.
- Decreases the Property Tax Rate by \$0.01 from \$0.50 per \$100 valuation to \$0.49 per \$100 valuation.
- Increases Wastewater Rates and Subsidence Fees effective January 01, 2015.
- Provides funding for the majority of the Budget Requests and Capital Improvement Projects.
- Maintains reserve balances at or above 20% of operational expenses.
- **Overview of General Fund Revenues**
- **All General Revenues indicate a positive financial outlook for Rosenberg.**
- Decrease tax rate by \$0.01 while increasing Property Tax Revenues:
- Increase in Local Sales Tax projected at approximately \$1,000,000 over FY2013 actual sales tax collections.
- Increase in building related permit fees.
- **Overview of General Fund Expenditures**
- Personnel and Benefits – 8.2% increase
- New positions
- Merit increase of 2.5%
- Supplies – 1.8% increase
- Maintenance & Services – 8.5% increase
- Increase in Information Services Fees
- Increase in Solid Waste Service Fees
- Offset with revenue increase, if Council approves (August 5, 2014 meeting)
- Street Overlay – 8.2% increase
- Increase Street Overlay from \$300,000 to \$800,000
- **Personnel and Benefits**
- Sixteen (16) new positions including:
- GIS Technician
- Health Inspector
- Building Maintenance Worker
- Light Equipment Operator – Public Works
- Secretary II – Planning Department
- Police Officer
- Three (3) Communications Specialists – Police Department
- Communications Manager
- Professional Standards/Compliance Officer – Fire Dept.
- Administrative Assistant – Technology Services
- Customer Service Technician

- Three (3) Firefighters (Converted from part-time)
- **Capital Improvement Plan (CIP) Proposed Funding**
- Majority of CIP projects have current or proposed funding available.
- Recommend issuing Certificates of Obligation for two road projects in first quarter of FY2015.
- Airport Avenue – Phase II
- Bryan Road
- Analyze the need for additional debt in FY2015 for alternate water project and wastewater improvement project.
- **Council Requests - Proposed Budget**
- The Proposed Budget is a Balanced Budget.
- Tax Rate was decreased to \$0.49 per \$100 valuation.
- 22 of the 29 Budget Requests are included in the proposed budget.
- All CIP is funded with the issuance of Certificates of Obligation for Airport Avenue and Bryan Road.
- Street Sweeper is not included in the proposed budget.
- \$70,000 is included for a street sweeping contract.
- To fund a street sweeper, adjustments would be needed
- Increase operating costs by \$35,000 per year
- Add \$220,000 to purchase the street sweeper
- **Proposed Budget Calendar**
- *July 22, 2014 - Budget Workshop*
- Presentation on Proposed Budget
- Presentation on Rosenberg Development Corporation Proposed Budget
- Revenue Projections
- Discusses Tax Rate
- Review City Debt Obligations
- *August 9, 2014 – Budget Workshop*
- Review Proposed Budgets for City Departments
- Review Proposed Budgets for Special Funds
- Discuss Tax Rate
- Set Public Hearing Dates on Tax Rate
- *August 19, 2014 – Regular Council Meeting*
- 1st Public Hearing on Budget
- 1st Public Hearing on Tax Rate
- City Council Discussion on Budget
- *August 26, 2014 – City Council Workshop*
- 2nd Public Hearing on Budget
- 2nd Public Hearing on Tax Rate
- City Council Discussion on Budget
- *September 2, 2014 – Regular Council Meeting*
- Action to Adopt Budget
- Action to Adopt Tax Rate

Questions:

Q: Have funds been allocated for a maintenance fund?

A: Yes. Staff would like to hold off on that until we do the facility study. Once the study is done we can get feedback on what type of maintenance program is needed and the funds that need to be allocated.

Q: What about a fund to start allocating some savings to have a contingency plan for unbudgeted and unexpected expenditures?

A: That is something that can be discussed in more detail at a Workshop. We have an Emergency Fund for a hurricane or such. That fund was not allowed as a special revenue fund in the new GASB rules. It has been removed from Special Revenue Funds and has been put into the General Fund and it is restricted for emergency use.

Q: Regarding the local sales tax projected at approximately \$1 million dollars, how do you arrive at that?

A: That question will be answered during the revenue presentation in one of the next items below.

Q: Why wasn't the street sweeper funded in the budget?

A: This is a proposed budget and it is preliminary. Changes can be made to this budget. There were several items requested. A balanced budget, a reduction in tax rate, to fund as many if not all of the budget requests and to fund the CIP. All of those items were approved by Council prior to Council's recommendation to also fund a street sweeper. Staff included the other items first. We would have to make some adjustments to do that.

- No action was taken on the item.

3. **REVIEW AND DISCUSS FISCAL YEAR 2014-2015 BUDGET FOR THE ROSENBERG DEVELOPMENT CORPORATION, AND TAKE ACTION AS NECESSARY TO DIRECT STAFF.**

Executive Summary: Staff will present an overview of the Rosenberg Development Corporation (RDC) FY2015 Budget and FY2015 Projects Budget. This Agenda item will allow City Council an opportunity to discuss the proposed RDC FY2015 Budget and FY2015 Project Budget.

Key discussion points:

- Joyce Vasut presented the Rosenberg Development Corporation Budget.
- **Rosenberg Development Corporation**
- Non-profit Corporation established in accordance with state law for the purpose of attracting capital investment and creating new jobs.
- Guiding Documents are Texas Local Government Code (Chapters 501-505) and RDC Corporate Bylaws.
- Administrative Services Agreement.
- City Economic Development Department funded by RDC.
- City Council provides oversight:
- Appoints Board
- Approves Budget
- Approves Amendments to the Bylaws
- **Funding Resources**
- RDC is funded 100% by the ½ cent of sales tax revenues
- FY 2014 Estimate \$3,845,000
- FY 2015 Proposed \$3,845,000
- **Funding Restrictions**
- Up to ten percent (10%) may be spent on administration. (RDC Policy)
- Up to ten percent (10%) may be spent on promotion. (State Law)
- Must maintain one year of debt service payments in a restricted reserve. (RDC Policy)
- **Proposed Expenditures**
- Expenditures including Administration, Marketing, Membership and Services, Professional Services, Prospective Business, Debt Services, Projects = \$3,285,469
- **Proposed Projects \$1,355,375**
 - City Wide GIS System
 - Fort Bend Transit
 - I-69 Bridge Enhancements
 - Livable Centers
 - Garcia Park Restrooms
 - Texas Master Naturalists
 - Traffic Signal at Reading Road
 - Transportation Gateways
 - Walsh Road Industrial Park
 - Workforce Development Project
 - Projects Management Fees

- **RDC Debt Requirements**

FY	Debt Requirement	FY	Debt Requirement
2015	\$964,943	2023	\$73,962
2016	\$794,991	2024	\$76,829
2017	\$704,781	2025	\$11,406
2018	\$707,797	2026	\$266,099
2019	\$701,765	2027	\$267,269
2020	\$694,854	2028	\$264,887
2021	\$277,607	2029	\$74,021
2022	\$267,856	2030	\$23,494

Questions:

Q: What is the \$250,000 Liveable Centers?

A: A study is being done identifying the Livable Centers. This will come back to Council after the study.

Q: Where is the Walsh Road Industrial Park?

A: It is one the west side of the City.

- No action was taken on the item.

Item 1 was heard at this time in the meeting. Discussion is under Item 1.

4. **REVIEW AND DISCUSS PROJECTED FY2015 REVENUES, AND TAKE ACTION AS NECESSARY TO DIRECT STAFF.**

Executive Summary: This item allows City Council the opportunity to discuss the proposed FY2015 revenues. Prior to discussion, staff will provide a presentation regarding the proposed revenues for FY2015.

Key discussion points:

- Joyce Vasut gave an overview of the Projected 2015 Revenues.
- **TYPES OF FUNDS**
- General Fund
- Special Revenue Funds
- Debt Service Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- **Total Revenues by Fund Type**
- General – 38%
- Special Revenue – 4%
- Debt Service – 11%
- Capital Projects – 14%
- Enterprise – 27%
- Internal Service – 6%
- **Total Revenues by Source**
- Property Taxes – 17%
- Sales Taxes – 21%
- Franchise Taxes – 4%
- Licenses and Permits 1%
- Charges for Services – 34%
- Fines and Forfeitures – 1%
- Intergovernmental 21%
- Other – 1%
- **GENERAL FUND REVENUES**
- Property Taxes – 18%
- Sales Taxes- 45%
- Franchise Taxes – 7%
- Licenses/Permits – 2%
- Fees and Fines – 5%
- Solid Waste Services – 12%
- Intergovernmental – 4%
- Transfers – 6%
- Other Revenues – 1%
- **Sales Tax Revenues for 2005-2014**
- FY2005 - \$4,860,975
- FY2014 Estimated - \$11,533,218
- **Budget Projection for Sales Tax Revenues – General Fund**
- Sales Tax Revenues FY2014 Actual - \$10,500,000
- Sales Tax Revenues FY2014 Budget - \$9,850,000
- Projected Sales Tax FY2014 - \$11,500,000
- Proposed for FY2015 - \$11,500,000
- **Property Tax Revenues – 2008-2013**
- FY2008 – Taxable Value \$1,165,002,099 – Tax Rate \$0.545
- FY2014 – Taxable Value \$1,642,493,053 – Tax Rate \$0.50
- **Property Tax Revenues – FY2015 Projections**
- FY2015 Projected Taxable Values - \$1,815,288,510 (*based on preliminary values from Fort Bend CAD*)
- FY2015 Projected Tax Rate - \$0.49 (*based on preliminary values from Fort Bend CAD*)
- FY2015 Projected Tax Revenues - \$4,894,914
- **Other General Fund Revenues**

- Franchise Taxes
- Licenses and Permits
- Fees and Fines
- Solid Waste Charges
- Intergovernmental Revenues
- Transfer
- No action was taken on the item.

5. **REVIEW AND DISCUSS ROSENBERG'S CURRENT PROPERTY TAX RATE, THE PROJECTED EFFECTIVE TAX RATE AND THE PROPOSED TAX RATE FOR FISCAL YEAR 2015, AND TAKE ACTION AS NECESSARY TO DIRECT STAFF.**

Executive Summary: This Agenda item will provide City Council an opportunity to discuss the City's proposed 2014 tax rate for FY2015. Staff will provide an update on the tax rate information, including a timetable for calculating the effective tax rate and the rollback rate, as well as discussing dates for public hearings on the tax rate.

Key discussion points:

- Joyce Vasut gave an overview of the item.
- **Tax Rates**
- Debt Rate – The portion of the total tax rate used to generate revenues for the Debt Service Fund to pay existing debt obligations including principal and interest. The current debt rate is \$0.2337.
- Maintenance and Operating Rate (M&O Rate) – The portion of the total tax rate used to generate revenues for General Fund maintenance and operating costs. The current M&O rate is \$0.2663.
- Total Tax Rate – The total of the Debt Rate and M&O rate. Effective tax rate is calculated on the total rate. The current total tax rate is \$0.50.
- **Summary of Debt Rate**
- The Debt Rate is a calculation. Council does not set the debt rate.
- The Debt Rate should remain as stable and consistent as possible.
- Based on the calculation, we have capacity to increase debt requirements by approximately \$323,326 for FY2015 for debt rate to remain at or near \$0.23.
- We can issue approximately \$5 million of Certificates of Obligation for road improvements (Airport and Bryan) without increasing the debt rate.
- **Tax Revenues from New Value**
- Value of Annexed Properties - \$16,066,763
- Increase in Tax Revenues – \$80,000
- Value of New Improvements - \$43,114,762
- Increase in Tax Revenues – \$215,000
- The additional value from annexed properties and new improvements is included in the Debt Rate Calculation. This allows the City to issue additional debt and remain within the current debt rate.
- The additional value from annexed properties and new improvements is NOT included in the Effective Tax Rate Calculation.
- **Truth in Taxation**
- The Texas Constitution and the Tax Code require local taxing units to make tax payers aware of tax rate proposals known as "Truth-In-Taxation" and requires cities to calculate the Effective Tax Rate (ETR).
- The ETR will generate the same amount of tax revenue on the same properties that existed the previous year.
- Under these regulations, a total tax rate greater than the ETR requires two public hearings.
- The City's ETR will be presented at a later date when certified values are received from the Fort Bend CAD.
- The proposed Budget includes a \$0.49 tax rate. All tax rate calculations are based on preliminary numbers from the Fort Bend CAD. The tax rate will be presented in greater detail when the values are certified and the Effective Tax Rate can be calculated.

Questions:

Q: What would the tax rate estimate have to be to not require a public hearing?

A: The estimate is that it could be lower than \$0.49 but we will wait until those figures are available. If the Effective Tax Rate is lower than the \$0.49 we will have to have a public hearing.

- No action was taken on the item.

6. **REVIEW AND DISCUSS ROSENBERG'S CURRENT DEBT AND THE DEBT SERVICE FUND FOR FISCAL YEAR 2015, AND TAKE ACTION AS NECESSARY TO DIRECT STAFF.**

Executive Summary: This Agenda item will provide City Council an opportunity to discuss the City's debt service obligations for the Debt Service Fund, Water/Wastewater Fund, the Civic Center Fund and the Rosenberg Development Corporation (RDC). Executive Director of Administrative Services, Joyce Vasut will provide an overview of the City's current debt and the projected impact of future debt.

Key discussion points:

- Joyce Vasut gave an overview of the item and provided an explanation of Debt Service.
 - **Legal Debt Margin**
 - Under State Finance law, the City's outstanding debt shall not exceed 10% of total assessed value.
 - Assessed Value - \$1,928,215,567
 - 10% of Assessed Value - \$92,821,557
 - Rosenberg's Outstanding Debt (principal only) \$64,708,905 or 3.4%
 - Texas Constitution states that "no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of such City".
 - 2.5% of Assessed Value - \$48,205,389
 - Tax Rate to Achieve Maximum Tax Revenue - \$.50
 - Rosenberg's Current Tax Rate - \$0.50
 - According to the Texas Municipal League (TML), despite this broad authority, the average city property tax rate, for cities with a population greater than 5,000 was \$0.57 for tax year 2013.
 - **Key Points Regarding Current Debt**
 - Scheduled annual payments reduce the City's outstanding debt (principal) by an average of \$4.6 million per year for the next four years.
 - Based on the current debt schedules, annual debt service requirements (principal and interest) will decrease by approximately \$205,000 in FY2016, \$195,000 in FY2017, and \$660,000 in FY2018 due to the retirement of debt issues.
 - The City's outstanding tax supported debt was most recently rated "Aa3" by Moody's and increased to "AA-" by Standard and Poor's, further indicating the City's fiscal stability and highlighting the City's very strong creditworthiness.
 - **Debt Service Fund Balance**
 - Financial policies recommend a minimum Fund Balance of 67% of Annual Debt Obligations be maintained as City policy.
 - Current Annual Debt Obligations for FY2015 are \$6,883,848.
 - Current Fund Balance is \$5,005,027 or 73% of Annual Debt Obligations.
 - **Key Points Regarding Future Debt**
 - Water/Wastewater, RDC and Civic Center will continue to pay 100% of their portion of the debt.
 - Future debt issued for the Alternate Water Project should be paid with subsidence fees or water impact fees and consequently should not increase the City's debt tax rate.
 - Other alternatives to strategically maintain the debt rate include:
 - Strategically schedule the issuance of debt to qualify as "Bank Qualified" - \$10,000,000 per year.
 - Structure future debt to control impact of debt rate.
 - Maintain adequate fees for special purposes (subsidence fees) to continue to cover the associated costs.
 - **RDC Debt Requirements – Total Obligations**
- | FY | Debt Requirement | FY | Debt Requirement |
|------|------------------|------|------------------|
| 2015 | \$964,943 | 2023 | \$73,962 |
| 2016 | \$794,991 | 2024 | \$76,829 |
| 2017 | \$704,781 | 2025 | \$11,406 |
| 2018 | \$707,797 | 2026 | \$266,099 |
| 2019 | \$701,765 | 2027 | \$267,269 |
| 2020 | \$694,854 | 2028 | \$264,887 |
| 2021 | \$277,607 | 2029 | \$74,021 |
| 2022 | \$267,856 | 2030 | \$23,494 |
- **Water/Wastewater Debt - Summary of Water/Wastewater Debt**
 - Not included in the Debt Service Fund.
 - Includes self-supporting debt such as revenue bonds, capital leases and State grant loans.

- Total Water/Wastewater debt decreased by \$773,978 from FY2014 to FY2015.
- Three debt issues remain in WWWW Fund
- SECO Loan – State of Texas
- Bank of America – SECO projects
- Texas Water Development Board – no interest loan
- Chart was shown showing debt from FY2015 through FY2029
- Total \$5,258,868
- No action was taken on the item.

7. **ADJOURNMENT.**

There being no further business Mayor Morales adjourned the meeting at 7:30 p.m.



Linda Cernosek, TRMC, City Secretary